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Paraguay

Oilseeds and Products Annual

2012

Approved By:
Melinda Sallyards

Prepared By:
Brooke Markley

Report Highlights:
Paraguayan soybean area is estimated remain at 2.8 million hectares in the 2012/13 marketing year with production climbing back up to 7 million metric tons. The current year estimates are lowered drastically as the Paraguayan soybean crop has suffered one of the worst droughts in history. Production for MY 2011/12 is estimated at 4 million metric tons on 2.7 million hectares. Sunflowerseed area is cut by more than half for the 2012/13 marketing year because of previous year's pest and disease problems, pricing, high production costs and unstable yields year-over-year. Total area is estimated at 30,000 hectares.

Commodities:

Oilseed, Soybean
Oil, Soybean
Meal, Soybean
Oilseed, Sunflowerseed
Oil, Sunflowerseed
Meal, Sunflowerseed

Production:

Soybeans

For marketing year (MY) 2012/13, post estimates soybean area to increase from Post's current year estimate by about 4 percent to 2.8 million hectares. Please note that this number is smaller than the USDA official number for MY2011/12 because of post revisions. Area for both MY 2011/12 and MY 2010/11 have been reduced due to new information in the Paraguayan agricultural sector. Despite the huge losses in production this year, producers will plant the same amount of land to soybeans and even expand area slightly in the next marketing year. The additional hectares will come from pasture land that remains in the main production region of eastern and southeastern Paraguay and from growth in the northeastern provinces of San Pedro, Canindyú, Caaguazu, and Concepción. Cattle producers are moving herds to the Chaco (Northeastern region) where marginal lands are better for pasture and converting existing pastures in the east to soybean acres. Although there is plenty of land in Paraguay and production could grow to cover over 4 million hectares, it is not expected to grow faster than 3-5 percent per year. The biggest barrier to expansion is the lack of good infrastructure. There are no projects by the government for road improvements in these areas and until there is, it will be difficult to move product out to the ports. Labor is also an issue. It is difficult to find people who are qualified and trained in the area of agricultural production and processing. Many large processors and producers are organizing their own pre-employment training programs in order to overcome this. Additionally, a more aggressive expansion is not expected because there is an underlying negative public perception that biotech soy is taking over Paraguay's pastures.

It is expected that Paraguayans may invest less in inputs during the marketing year 2012/13 because of the large losses they experienced this year. Less fertilizer is expected to be used and less machinery purchased, therefore yields are estimated to be lower. Many producers also indicate because of the hot and dry conditions in December, January and February, many will be planting earlier in August in order to avoid the hottest days of summer in the critical stages of plant and pod development. Based on historic yields, production is estimated at 7 million metric tons (MMT).

Looking at the current year, MY2011/12, unfortunately Paraguay was hard hit by the La Niña weather pattern that dried out many parts of South America. With several weeks of extreme temperatures without rain, many of Post's contacts say that this has been the worst drought in history. Most have suffered losses of 40 to 60 percent of what originally had been expected to be produced. Some of the lowest yields are between 500 and 600 kg per ha where yields under normal conditions can reach 2.8 tons per ha. Currently about 90 percent of the crop has been harvested and average yields are estimated at 1.5 kg per ha. Production is expected to be 4 MMT, 1 MMT

less than the USDA official estimate and almost 50 percent less than what was estimated at the beginning of the year.

The production for MY2010/11 is also adjusted downward to 7.2 MMT. Many sources in the agricultural industry suggest that production was never above 8 MMT. After adjusting the balance sheet by closing out final exports at 5.269 MMT, adjusting crush upwards to 1.6 MMT, and allowing stocks to be much higher than normal, 7.2 MMT is a more realistic production number for last year's soybean harvest.

In country estimates can vary widely in Paraguay. Lack of strong, reliable government statistics has given rise to wide fluctuations in crop estimates by producers, cooperatives, industry and private crushers. Post estimates are based on field visits and analysis of in country estimates.

Sunflowers

Area for sunflowerseed is expected to drop sharply next year and contacts estimate 30,000 hectares for MY 2012/13. Each year, sunflowers are becoming more and more insignificant as a cash crop in Paraguay. Just 5 years ago record production hit 280,000 MT, which was more than 4 times the amount produced 5 years earlier. In the past decade, sunflower production went from a very small area (30,000 ha) to a huge spike in growth and is now back down to the level it was at in 2003/2004. Many producers have left the sunflower business altogether. According to them, sunflowers are unstable having extreme variations in yields year to year, are expensive to produce and do not always have the best prices. Furthermore, there are many problems with birds that continue to demolish fields. Producers indicate that the land not used for sunflowerseed production will go towards soybeans, corn and wheat. Production is estimated at 50,000 tons.

For MY2011/12, area harvested is lowered to 75,000 ha with final production reaching 110,000 tons. Although sunflower is a hardier crop than soy is easier to grow in a drought year, yields are below average, with impacts from bird damage and little rainfall.

Area and production for MY2010/11 are lowered. Although it was a dynamite year for soybean production, the excess rains caused problems with fungal diseases in the sunflower crop. That, in addition to the pigeon infestations, leaves area harvested at 65,000 ha with production at 90,000 metric tons.

Consumption:

Soybeans and Soybean Products

Crush

Soybean crush is expected to double in MY 2012/13, compared to USDA official numbers, with the new addition of ADM's crushing facility. The plant is expected to come on-line in September of 2012 and will have the capacity to crush 1 MMT per year. Today, capacity for soybean crush is 1.8 MMT annually if all plants are working full-time. Soybean crushing competes with sunflower and canola crushing during the year so it is unlikely that crush is ever at full capacity for soybeans only. Currently there are 8 companies that manage plants in Paraguay. Cargill operates a plant that has an estimated crush capacity of 1 MMT and several smaller

companies have crush plants that together total approximately 800,000 tons per year. In addition to the ADM plant, Louis Dreyfuss and Bunge have a joint project that is expected to be up and running in 2014 with an annual crush capacity of 1 MMT. For MY 2012/13 crush is estimated at 2.5 MMT.

In the current MY 2011/12, crush is reduced slightly from the previous year based on the adjusted production number although higher than the current USDA official number. Many of the smaller companies that process soybeans are expected to crush about 20 percent less this year due to the lack of supply. Furthermore, there are reports of lower quality soybeans that were harvested before reaching full maturity. The green soybeans contain chlorophyll and will have a direct effect on soybean oil quality. The chlorophyll will have to be removed and the process increases the costs of the refining process.

Consumption

For the three years reported, soybean domestic consumption for feed use is expected to remain steady at around 200,000 MT. For the same three periods, meal consumption for feed use is expected to grow slightly each year and reach 200,000 MT by MY2012/13. There are very few feedlots in Paraguay, and soybeans and soybean products are mainly used in feed rations for the pork and poultry industries. These industries are expected to grow in the future but right now the issue hindering expansion is market access and meeting third country sanitary requirements in order to export more. Meeting these requirements could take several years.

For soybean oil, not more than 50,000 MT are consumed annually for food use and no more than 4,000 MT is consumed for industrial use. Most biodiesel is made with animal fat since soybean oil is a less attractive alternative because it is much more expensive. However, there are some problems with biodiesel produced with animal fat. For one, it hardens at room temperature and can clog pipes and machinery. Petropar, a main gasoline provider in Paraguay, has indicated that is it will no longer buy biodiesel produced from animal fat and will only buy biodiesel from vegetable oils. Some processors are planning to use soybean oil for biodiesel and others are not. Post estimates that soybean oil industrial domestic consumption will increase to 15,000 metric tons for the MY2012/13. For more information on biodiesel production in Paraguay, please see the Paraguay Annual Biodiesel report in the GAIN system.

Sunflowers and Sunflower Products

The majority of sunflowerseed produced in Paraguay is crushed in country for meal and oil. Domestic consumption of meal and oil is low and most that is produced is destined for export markets. For 2012/13, crush is estimated at 55,000 MT based on lower expected production. For MY2011/12 and MY2010/11 crush is estimated at 100,000 MT and 90,000 MT, respectively, to reflect lower production numbers. Domestic consumption of meal and oil is relatively stable with oil for food use at 10,000 MT annually and meal for feed use as a residual around 30,000 MT annually.

Trade:

Soybeans and Soybean Products

Exports of soybeans for MY 2012/13 are estimated at 4.3 MMT and for MY2011/12 at 2.85 MMT (down 1.15 MMT) based on lower production. The lack of rain this year not only damaged soybean production, but it also has affected exports. The water level in the river is lower than normal which means that barges are only filled about 75 percent full. This should not affect the quantity of exports, but it will increase costs for exporters. Final trade data closes the 2010/11 marketing year exports at 5.27 MMT, 1.43 MMT less than the official USDA number of 6.7 MMT.

Official data shows the majority of exports are shipped to Argentina and Uruguay. Nearly all soybeans are transshipped through ports in Nueva Palmira (Uruguay) and Rosario (Argentina), however this is not their final destination. Soybeans are shipped to the EU, followed by Turkey, Russia, Israel and Mexico based on statistics published by the Paraguayan Chamber of Grains and Oilseeds Exporters and Traders (CAPECO in Spanish).

Soybean oil exports are estimated at 400,000 MT in MY2012/13 as a result of the increased crush. This year, MY 2011/12, exports are 70,000 tons higher than the USDA official number at 250,000 tons based on a larger expected crush number. MY2010/11 closes out with final trade numbers at 255,000 tons.

Meal exports are estimated at 1.75 MMT for MY2012/13, nearly double from the previous year based on the larger expected crush.

Sunflowers and Sunflower Products

As mentioned previously, in the past decade, sunflowers have gone from insignificant to a boom in growth and back to insignificant again. This trend can be seen in exports as well. In MY 2003/04, nothing was exported. In MY2007/08 exports spiked to 135,000 MT and in MY2010/11 exports are lowered to 1,000 MT. Official data shows that only 231 MT were shipped through the first 11 months of the year. The data clearly shows the instability of sunflowers that so many producers talk about.

Most sunflower oil is exported and very little is used in-country. For MY 2012/13, oil exports are estimated at 45,000 MT based on lower crush estimates. For MY2011/12, exports are estimated at 80,000 MT, much higher than the previous year. This is due to the high carry in stocks from MY2009/10 and MY2010/11. Oil exports for MY2010/11 remain at 25,000 MT, 5,000 MT lower than the official USDA estimate. During the first 11 months of the year, official data shows exports reaching 20,073 MT. Based on historical data there is usually a sizeable shipment in March leaving room for the remaining 4,000 MT to go out and reach the estimate of 25,000 MT.

Stocks:

Very little stocks for soybeans and soybean products and sunflowers and sunflower products are held. Most is exported and the residuals are used for feed use. In 2010/11, stocks are higher since many cooperatives and storage facilities held more soybeans at the end of the year because of the large production level two years in a row.

Policy:

According to post contacts, there are still rumors of implementing a tax of ten percent on soybean exports in order to earn more revenue for the government. There are several laws that have been under discussion in congress but have been temporarily stalled due to the huge losses in soybean production and the fact that 2012 is a congressional election year. It could take several years for congress to agree on and implement a new export tax law but most in the agricultural sector believe that it will happen eventually and will most likely lobby hard against any such law.

Production, Supply and Demand Data Statistics:

Oilseed, Soybean Paraguay	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Mar 2011		Market Year Begin: Mar 2012		Market Year Begin: Mar 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2,900	2,750	2,800	2,700		2,800
Area Harvested	2,871	2,750	2,600	2,700		2,800
Beginning Stocks	331	331	394	462		12
Production	8,373	7,200	5,000	4,000		7,000
MY Imports	20	0	20	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	8,724	7,531	5,414	4,462		7,012
MY Exports	6,700	5,269	4,000	2,850		4,300
MY Exp. to EU	800	800	800	800		800
Crush	1,450	1,600	1,250	1,400		2,500
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	180	200	130	200		200
Total Dom. Cons.	1,630	1,800	1,380	1,600		2,700
Ending Stocks	394	462	34	12		12
Total Distribution	8,724	7,531	5,414	4,462		7,012
1000 HA, 1000 MT						

Oil, Soybean Paraguay	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Mar 2011		Market Year Begin: Mar 2012		Market Year Begin: Mar 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Crush	1,450	1,600	1,250	1,400		2,500
Extr. Rate, 999.9999	0	0.1969	0	0.1964		0.192
Beginning Stocks	35	35	25	44		18
Production	276	315	238	275		480
MY Imports	2	3	2	3		3
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	313	353	265	322		501
MY Exports	242	255	180	250		400
MY Exp. to EU	4	4	4	4		4
Industrial Dom. Cons.	0	4	0	4		15
Food Use Dom. Cons.	46	50	48	50		50
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	46	54	48	54		65
Ending Stocks	25	44	37	18		36
Total Distribution	313	353	265	322		501
1000 MT, PERCENT						

Meal, Soybean Paraguay	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Mar 2011		Market Year Begin: Mar 2012		Market Year Begin: Mar 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,450	1,600	1,250	1,400		2,500
Extr. Rate, 999.9999	1	0.7813	1	0.7857		0.78
Beginning Stocks	8	8	0	40		30
Production	1,139	1,250	985	1,100		1,950
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	1,147	1,258	985	1,140		1,980
MY Exports	1,072	1,043	900	925		1,750
MY Exp. to EU	150	150	150	150		150
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	75	175	75	185		200
Total Dom. Cons.	75	175	75	185		200
Ending Stocks	0	40	10	30		30
Total Distribution	1,147	1,258	985	1,140		1,980
1000 MT, PERCENT						

Oilseed, Sunflowerseed Paraguay	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Apr 2011		Market Year Begin: Apr 2012		Market Year Begin: Apr 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	165	100	80	75		30
Area Harvested	165	65	65	75		0
Beginning Stocks	9	17	73	15		14
Production	258	90	123	110		50
MY Imports	0	5	0	5		5
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	267	112	196	130		69
MY Exports	3	1	10	10		1
MY Exp. to EU	0	0	0	0		0
Crush	180	90	170	100		55
Food Use Dom. Cons.	1	1	1	1		1
Feed Waste Dom. Cons.	10	5	15	5		5
Total Dom. Cons.	191	96	186	106		61
Ending Stocks	73	15	0	14		7
Total Distribution	267	112	196	130		69
1000 HA, 1000 MT						

Oil, Sunflowerseed Paraguay	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Apr 2011		Market Year Begin: Apr 2012		Market Year Begin: Apr 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	180	90	170	100		55
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	26	55	26	70		29
Production	76	40	72	44		24
MY Imports	4	5	4	5		5
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	106	100	102	119		58
MY Exports	30	25	30	80		45
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	50	10	50	10		10
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	50	10	50	10		10
Ending Stocks	26	70	22	29		3
Total Distribution	106	105	102	119		58
1000 MT, PERCENT						

Meal, Sunflowerseed Paraguay	2010/2011	2011/2012	2012/2013

	Market Year Begin: Apr 2011		Market Year Begin: Apr 2012		Market Year Begin: Apr 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	180	90	170	100		55
Extr. Rate, 999.9999	0	0.444	0	0.44		0.4364
Beginning Stocks	19	10	17	17		16
Production	76	40	72	44		24
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		
Total Supply	95	50	89	61		40
MY Exports	3	3	3	15		10
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	75	30	75	30		30
Total Dom. Cons.	75	30	75	30		30
Ending Stocks	17	17	11	16		0
Total Distribution	95	50	89	61		40
1000 MT, PERCENT						